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In the Supreme Court of the United States

OCTOBER TERM, 1952.

No. . . . . .

KOBE, INC.,
a corporation,
and
ALTA VISTA HYDRAULIC COMPANY,
a corporation,
Petitioners,

vs.

DEMPSEY PUMP COMPANY,
a corporation,
OSCAR E. DEMPSEY,
SPECIALTY SALES SERVICE, INC.,
a corporation,
and
M. L. WALRAVEN, JR.,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT.

Petitioners pray that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Tenth Circuit, entered in the above-entitled case on July 5, 1952.

OPINIONS BELOW.

The oral opinion of the District Court is unreported. It appears at pages 660 through 669 of the printed record. The opinion of the Court of Appeals (R. 1317) is reported in _____ F. 2d _____.

JURISDICTION.

The judgment of the Court of Appeals was entered on July 5, 1952 (R. 1342). The jurisdiction of this Court is invoked under 28 U. S. C., Section 1254 (1).

QUESTIONS PRESENTED.

1. Does the mere acquisition, by a single owner, of most of the important patents in a field of commerce, with the intent to use these patents to prevent infringement, coupled with the bringing of an infringement suit against an actual infringer of some of the patents, but without any refusal to grant licenses on reasonable terms, or other patent misuse, amount to a monopolization in violation of Section 2 of the Sherman Act?

2. When a patentee files an infringement suit against an actual infringer of his patents in the belief that he is entitled to the relief prayed for, does the fact that the court in such suit holds that he is guilty of monopolization, and that the suit is a step in effectuating the same, convert the suit *ab initio* into a wrong against the infringer, so as to render the patentee liable to the infringer, under Section 4 of the Clayton Act, for treble the damages sustained by the infringer as a result of the suit?*

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* As hereinafter shown, the adverse decision of the Court of Appeals on this question is in square conflict with a decision of the Court of Appeals of the Second Circuit.

Or, stating the question in more general form:

Does a litigant who takes a case to court with probable cause, and believing he is entitled to relief, under any circumstances become liable in damages for so doing?

STATUTES INVOLVED.

The pertinent statutory provisions are Section 2 of the Sherman Act (U. S. C. Title 15, Section 2), and Section 4 of the Clayton Act (U. S. C. Title 15, Section 15).

Section 2 of the Sherman Act provides:

> "Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding $5,000, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court."

Section 4 of the Clayton Act provides:

> "Any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

STATEMENT.

This action was filed by plaintiffs in September, 1948, in the District Court of the United States for the Northern District of Oklahoma, to obtain damages for, and injunctive relief against, alleged infringement by defendants of

five United States Letters Patent and alleged unfair competition.

Plaintiff Kobe, Inc., a California corporation engaged in the manufacture and sale of hydraulic pumps for oil wells, was the owner of four, and exclusive licensee of the fifth, of the patents sued on. Plaintiff Alta Vista Hydraulic Company, Ltd., another California corporation, was joined as a plaintiff merely because it owned legal title to the fifth patent.

Defendant Dempsey Pump Company was an Oklahoma corporation engaged in the manufacture of hydraulic pumps for oil wells. Defendant Specialty Sales & Service, Inc. was another Oklahoma corporation, which acted as sales agent for Dempsey Pump Company. The individual defendants were presidents of these two corporations.

Defendants, in their answer, denied the validity and infringement of plaintiffs' patents in suit, denied unfair competition, and contended that plaintiffs were, in any event, precluded from obtaining relief on their patents by reason of alleged violation of Sections 1 and 2 of the Sherman Act. The corporate defendants also filed a counterclaim under Section 4 of the Clayton Act, asking treble damages for the alleged antitrust violation, and an injunction to prevent enforcement of any of plaintiffs' patents against them during continuance of such alleged violation.

On trial of the case the District Court held that one patent was valid and infringed, three patents were invalid but infringed if valid, and the fifth patent was invalid and not infringed, and that defendants were not guilty of unfair competition.

On the antitrust issue, the following facts were undisputed:

Plaintiff Kobe, Inc. was organized in 1945, as a wholly-owned subsidiary of Dresser Industries, Inc., to receive

and operate a hydraulic pump business which Dresser had acquired in that year from a totally unrelated California corporation, also named Kobe, Inc., hereinafter referred to as "Old Kobe."

During the preceding 20 years Old Kobe had developed a hydraulic pump for oil wells, and had commercialized its pump to a point where its annual sales made up about 3% of the total annual sales of all types of oil well pumps, although its operations were still conducted at an over-all loss. In 1933 Old Kobe and Rodless Pump Company, a Nevada corporation which owned valuable patents but had developed no pump, had formed a patent holding company, named Roko Corporation, in which they each owned a half interest, to hold the hydraulic pump patents previously owned by Old Kobe and Rodless, and to acquire additional patents in the field, and Old Kobe had been granted what amounted to an exclusive license under the Roko patents. Between 1933 and 1940, Roko had acquired, in addition to the patents originally transferred to it by Old Kobe and Rodless, 32 patents assigned by employees of Old Kobe, and 28 patents purchased from the outside. Rights under all these patents inured to the benefit of Old Kobe under its license, although only part of them were used by Old Kobe in its commercial pumps. The most important patents owned by Roko expired prior to 1945.

As previously indicated, Dresser in 1945 acquired the assets of Old Kobe, including its interest in Roko, in exchange for Dresser stock. As part of the same transaction, it purchased, also for stock, the interest owned by Rodless Pump Company in Roko, and caused Roko to be dissolved. Dresser then organized plaintiff Kobe, Inc. as a wholly-owned subsidiary, and transferred to it the business and assets acquired from Old Kobe, and those of the Roko

patents which remained unexpired. From 1945 on, plaintiff Kobe, Inc. conducted the business with the same operating personnel, and in substantially the same manner, as Old Kobe, although plaintiff Kobe, Inc. never acquired any additional patents except from its own employees.

From 1933 to 1947 no other hydraulic pump appeared on the market to compete with the Kobe pump, and during this period no one even reached the point of asking Roko or plaintiff Kobe, Inc. for a license under their patents. In 1947 defendant Oscar E. Dempsey began manufacture of a competing pump, and retained defendant Specialty Sales & Service, Inc., a corporation owned by defendant M. L. Walraven, Jr., who was a former employee of plaintiff Kobe, Inc., to sell it. In 1948 Dempsey incorporated his pump business and the manufacture of the Dempsey pump was thereafter carried on by defendant Dempsey Pump Company.

None of the defendants asked plaintiff Kobe, Inc. for a license under its patents, although the Dempsey pump was a clear infringement of certain of the Kobe patents. After having inspected Dempsey pumps, and examined diagrammatic drawings which showed the infringement,* Plaintiff Kobe, Inc. notified defendants of the infringement at the Tulsa Oil Show in May, 1948, but defendants maintained that their pump did not infringe. Thereafter, plaintiff Kobe, Inc. instructed its salesmen, when asked by customers what Kobe, Inc. intended to do about the Dempsey infringement, to reply that it would probably bring an infringement suit against Dempsey (R. 1210). On September 14, 1948, the present suit was actually filed. On September 27, 1948, after receiving many inquiries from

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* The intimation by the Court of Appeals that plaintiffs filed suit without adequate prior evidence of infringement has no support either in the Findings of the District Court or in the record.

customers about the suit, plaintiff, Kobe, Inc. sent out a letter advising them of its filing and pendency (P. Ex. 20, R. 980). Thereafter, some of Dempsey's prospective customers asked Dempsey to indemnify them against liability for patent infringement, and sales of the infringing pump fell off.

Apart from the above basic facts, a great deal of evidence was introduced bearing on intent and motive. Over the strenuous protest of plaintiffs, the District Court in its Finding of Facts (R. 133 to 158) found that the circumstances under which Old Kobe and Roko had acquired their patents, and the agreements which they made relative thereto, evinced an intent on the part of Old Kobe to use these patents to exclude all competitors from the field of hydraulic pumps; that Dresser and plaintiff Kobe, Inc., when they acquired the Old Kobe assets, had intended to continue Old Kobe's monopoly in the field; that the filing by plaintiff Kobe, Inc. of the instant infringement suit, and the notification of the trade thereof, were steps in effectuating the monopoly; and that, as the result of the suit and notification, Dempsey Pump Company had sustained damage in the amount of $143,364.00 and defendant Specialty Sales & Service, Inc. had sustained damages in the amount of $23,481.00.

On the basis of these findings, the District Court held in its Conclusions of Law (R. 161 to 163) that plaintiffs were guilty of monopolization, that they were therefore precluded from obtaining relief for infringement by defendants of the patent held valid and infringed, and that, in addition, they were liable to defendants on their counterclaims for treble the damages sustained, plus attorneys' fees, or a total of $527,537.00 and should be enjoined as defendants had prayed.

The District Court reached these conclusions even though it found as a fact (Finding 43, R. 146) that:

> "So far as the record in this case shows, during the period of time that plaintiff Kobe, Inc. has owned the rights under such patent, and prior thereto during the period that Roko owned the same, no one asked either such Plaintiff or Roko for a license under any of such patents and neither plaintiff nor Roko has ever refused to grant such a license";

and that, while plaintiff Kobe, Inc. had hoped by the infringement suit to eliminate defendants as competitors, nevertheless (Finding 55, R. 151):

> "Plaintiff Kobe, Inc. did not prosecute its infringement action in bad faith, but pressed the same believing that it would recover the judgments prayed for therein, and believing that it was legally entitled to the relief prayed for. It also believed it had a legal right to circularize its letter of September 27, 1948 as an accompaniment of its infringement action."

On April 13, 1951 plaintiffs filed their notice of appeal (R. 163), appealing from so much of the judgment as denied relief to plaintiffs and granted relief to defendants on account of plaintiffs' alleged antitrust violation, and as held invalid two of the patents on which plaintiffs had sued. The appeal as to one of the patents held invalid was later dismissed by plaintiffs.

Before the Court of Appeals, plaintiffs contended that the judgment of the District Court on the antitrust issues was erroneous for the following reasons:

> 1. Because not even Old Kobe had the power or purpose to exclude competitors;
>
> 2. Because, in any event, plaintiff Kobe, Inc. was not responsible for the acts of Old Kobe, was not shown itself to have had a purpose to exclude competitors, and, in view of the fact that the most important patents had expired before the Dresser acquisition, certainly never had the power to exclude them;

3. Because the mere acquisition by a single patent owner of most of the important patents in a field with the intent to use them to prevent infringement, and the filing by such owner of an infringement suit against an actual infringer of his patents, did not amount to monopolization in absence of a showing that the patent owner had either refused to grant licenses under his patents or misused his patents in some other way; and,

4. Because, even if plaintiff was guilty of monopolization and was therefore precluded from obtaining affirmative relief on its patents, nevertheless, in view of the fact that all it had done was to file an infringement suit against an actual infringer of its patents, in the belief that it was legally entitled to the relief prayed for, it had not committed an "injury" to the infringer so as to become liable for "damages" under the provisions of Section 4 of the Clayton Act.

The Court of Appeals, after hearing, affirmed the judgment of the District Court in all respects (See opinion of Court of Appeals, R. 1317 to 1342).

In filing the present petition we are not asking this Court to review the rejection by the Court of Appeals of all the above contentions. While we believe that the Court of Appeals was wrong in holding that Old Kobe had the power and the purpose to exclude competitors and that plaintiff Kobe, Inc. had a similar power and purpose, we recognize that these are in part factual decisions which this Court will not review. The issues on the basis of which we are asking this Court to grant certiorari in the instant case are, as indicated in our statement of questions presented, the legal issues raised in contentions 3 and 4 above.

SPECIFICATION OF ERRORS TO BE URGED.

The Court of Appeals erred:

1. In holding that plaintiffs, or either of them, were guilty of any violation of the antitrust laws.

2. In holding that plaintiffs were precluded from obtaining affirmative relief on the patent held to be valid and infringed.

3. In enjoining them from enforcing or asserting any of their patents against defendants.

4. In holding that plaintiff Kobe, Inc., even if guilty of monopolization, was liable to pay damages to defendants, or either of them, in any amount.

5. In affirming the judgment of the District Court.

REASONS FOR GRANTING THE WRIT.

A. The Issue of Monopolization.

1. The question whether the mere acquisition by a single owner of most of the important patents in a field of commerce, with the intent to use them to prevent infringement, coupled with the bringing of an infringement suit against the actual infringer of some of the patents, but without any refusal to grant licenses on reasonable terms, or other patent misuse, amounts to a monopolization of the field in violation of Section 2 of the Sherman Act, is a question of manifest importance to the interpretation of the antitrust laws and the patent laws in the field of their joint application. This Court has never passed on this question; nor has it held in any case that a single owner violates the Sherman Act when he merely acquires patents and exercises the rights they purport to give.

2. The importance of the question is more fully shown, and the probable error of the decision of the Court of Appeals is indicated, by the following:

(a) This Court has made it clear that in non-patent cases, the possession of monopoly power, coupled with the intent of exercising it, amounts to illegal monopolization. *Schine Theaters v. United States*, 334 U. S. 110, 130 (1948); *American Tobacco Co. v. United States*, 328 U. S. 781 (1946).

However, patents give to a patentee, within the field of the patents, a legal right to exercise monopoly power, and to do so purposely. It follows that illegal monopoly is not established in a patent case, unless, in addition to possessing the monopoly power conferred by its patents, and having the intent to exercise such power, the patentee has used his patents in such a manner as to exceed the rightful limits of the patent grant. The distinction in this regard between patent and non-patent cases was stated by the District Court for the Southern District of New York in *United States v. General Electric Co.*, 80 F. Supp. 989, 1015 (1948), as follows:

> "Decision must turn on whether or not the patent privilege has been misused. Although in a non-patent case exclusion, unlawful achievement, and abuse of monopoly power may not need to be proved, elements of such conduct are necessary in a patent case before Section 2 may be invoked."

(b) The mere acquisition by one owner of most of the important patents in a commercial field, is not of itself a misuse of patents. In *Transparent Wrap Machine Corp. v. Stokes & Smith Co.*, 329 U. S. 637 (1947), this Court pointed out that the right to acquire patents by assignment was specifically conferred by the patent laws. More re-

cently, in *Automatic Radio Co. v. Hazeltine*, 339 U. S. 827 (1950), in which the plaintiff owned 570 patents and 200 applications, this Court stated, at page 834:

> "The mere accumulation of patents, no matter how many, is not in and of itself illegal."

(c) If the acquisition of most of the important patents in a commercial field is not illegal, neither the intention of using these patents to exclude infringers, nor the filing of an infringement suit against an actual infringer, can be illegal. As often stated by this Court, a patent "consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee." *Bloomer v. McQuewan*, 14 How. 539, 549 (1852); *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U. S. 405, 425 (1908). The intentional using, or the actual use, of patent rights in the only manner in which they can be used, is a legal use, and not a misuse, of the patent rights.

(d) Nor was the intention of using the patents to prevent infringement, or the filing of suit against an actual infringer, converted into a misuse because one or more of the patents sued on were patents which plaintiff did not use in its own commercial pump. As held by this Court in *Continental Paper Bag Co. v. Eastern Paper Bag Co., ante*, the filing of a suit for infringement of a patent which patentee does not himself use is not a misuse of the patent. If the rule were otherwise, the logical result would be that the filing of any suit for infringement of a basic patent which the patentee did not use would be a violation of the antitrust law.

(e) It is possible that if the patents acquired by a single patent owner covered all possible competitive devices in a commercial field, some of which patents the

patent owner did not use, it would be a misuse for him to refuse to grant licenses to competitors on reasonable terms. See *Stewart-Warner Corp. v. Staley*, 42 F. Supp. 140 (D. C. W. D. Pa., 1941).

In the instant case, there is no finding that plaintiff's patents covered all possible competitive devices in the field, and there could be no such finding because the record shows that the most important patents, disclosing complete hydraulic pumps, expired prior to the Dresser acquisition and the formation of plaintiff Kobe, Inc.,* and that there were hundreds of hydraulic pump patents which neither plaintiff Kobe, Inc. nor Roko ever acquired (R. 1095-1098, 634).

But even in a case in which the patent owner had acquired patents covering all competitive devices, and made no use of these patents, we submit that the possible misuse would consist, not in the acquisition of the patents nor in the non-use of some of them, but in a refusal to grant licenses to competitors on reasonable terms. This is indicated by the fact that, even in cases such as *Hartford-Empire v. United States*, 323 U. S. 386 (1945) in which a group of competitors was held to have monopolized a field of commerce by combining their patents which collectively dominated the field, and then parceling out exclusive rights in various parts of the field, the relief granted to the United States by this Court did not go beyond a requirement that the offending patentees offered licenses under their patent rights for a reasonable royalty to all who desired such licenses. If competitors who have thus misused dominant patent rights have no obligation beyond offering to grant

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* Humphreys Patent No. 1,577,971, Crum Patent No. 1,562,-688, and Suter Patent No. 1,557,116, which were the only patents shown by the record to be at all basic (R. 175, 190, 237) had all expired by 1943 (R. 916, 929, 1090).

licenses at reasonable royalties, certainly a single patent owner who has himself acquire dominant patent rights but has not misused them, wou have no greater obligation.

(f) Defendants sought in he Court of Appeals to avoid the force of the above arg ment by contending that the burden was not on them to sh w that plaintiffs refused to grant licenses on reasonable terms, but on plaintiffs to show that such licenses would have been granted if requested. However, as we have shown above, patent misuse is an essential element of the ffense of monopolization in a patent case, and we submit th it the burden was on defendant, in order to sustain th r antitrust contentions, to prove that plaintiff Kobe, Inc. misused its patents, either by refusal to license on reasonab terms or in some other manner.

On the basis of the above, we submit that the Court of Appeals not only decided a quest on of vital importance to the proper interpretation of the tent and antitrust laws, but decided it erroneously, when it held that a single patent owner was guilty of monopolization in violation of Section 2 of the Sherman Act, wh n all it did was to acquire important patents in a field of commerce, with the intent of preventing infringement, and t file an infringement suit against an actual infringer.

B. The Issue of Liability for Damages.

1. Even if our above contention be unsound, and plaintiff Kobe, Inc. be guilty of monopolization, the only acts done by it which are indicated by the record to have adversely affected defendants in any way are the following:

(a) On September 14, 1948 plaintiff Kobe, Inc. filed the present suit.

(b) On various occasions prior to filing suit, when customers asked salesmen of Kobe, Inc. whether it intended to sue Dempsey for infringement, the salesmen replied that plaintiff Kobe, Inc. believed that the Dempsey pump might infringe its patents, and that, as soon as it learned definitely that a sale had been made, it would probably test the question of infringement in court (D. Ex. 26, R. 1210).

(c) After filing the suit, and after receiving many inquiries about the suit from customers, plaintiff Kobe, Inc., on September 27, 1948, sent out to purchasing agents or other executives of certain of ~~the~~ customers a letter advising them that suit had been filed (P. Ex. 20, R. 980).

The present suit was clearly filed with probable cause, as defendants were held to have infringed four of the patents sued on, and one of the infringed patents was held to be valid. The answers given by salesmen to customers' questions, referred to in (b) above, were merely truthful, restrained and proper answers to the questions asked. The notification referred to in (c) above was likewise a factual and restrained notification. Similar notifications have universally been held to be legitimate incidents of the filing of a patent infringement suit. See *Alliance Securities Co. v. De Vilbiss Mfg. Co.*, 41 F. 2d 668 (C. C. A. 6, 1930); *Oil Conservation Engineering Co. v. Brooks Engineering Co.*, 52 F. 2d 783 (C. C. A. 6, 1931); *United States Galvanizing & Plating Equipment Corp. v. Hanson-Van Winkle-Munning Co.*, 104 F. 2d 856, 861 (C. C. A. 5, 1939).

The District Court, while it held that the suit was filed and the notice was given in furtherance of the alleged

purpose of plaintiff to exclude competitors, specifically found in Finding 55 (R. 151):

> "Plaintiff Kobe, Inc. did not prosecute its infringement in bad faith, but pressed the same believing that it would recover the judgments prayed for therein, and believing that it was legally entitled to the relief prayed for. It also believed it had a legal right to circularize its letter of September 27, 1948 as an accompaniment of the infringement action."

Accordingly, this case presents squarely the legal question whether a patent owner, who files an infringement suit, with probable cause, against an actual infringer of his patents, and who is denied relief on the ground that the suit was brought with an intent to monopolize, is in addition liable, under Section 4 of the Clayton Act, for treble the damages the infringer has sustained as a result of the suit, even though the only acts of the patent owner affecting the infringement are the filing of the suit and acts legitimately incident thereto, and even though it is specifically found that the patent owner brought the suit believing that he was legally entitled to the relief prayed for.

2. There is nothing in any decision of this Court to sustain the adverse decision of the Court of Appeals on the above question.

This Court has held in numerous cases that a patentee who has used his patents in violation of the antitrust laws should be denied affirmative relief against infringement of his patents until he has purged himself of the antitrust violation. See *Morton Salt Co. v. Suppiger,* 314 U. S. 488 (1942), *Mercoid v. Mid-Continent,* 320 U. S. 661 (1944) and similar cases.

But this Court has never indicated that when a patentee brings an infringement suit against an actual infringer of his patents, in the belief that he is entitled to

the relief prayed for, the fact that the court in such suit holds that he is guilty of monopolization, and that the suit is a step in effectuating the same, converts the suit *ab initio* into a wrong against the infringer, so as to render the patentee liable to the infringer, under Section 4 of the Clayton Act, for treble the damage sustained by the infringer as a result of the suit. As a matter of fact, there is no such indication in any decision of any court prior to the decisions of the court below in this case.

3. The decision of the District Court and the Court of Appeals on this point is in direct conflict with the decision of the Court of Appeals of the Second Circuit in *Straus v. Victor Talking Machine Company*, 297 Fed. 791 (1924).

In that case Victor had brought a patent infringement suit to restrain Macy's Store (owned by Straus) from infringing Victor's patents on records and sound reproducing machines. Macy's defended on the ground that Victor had violated the Sherman and Clayton Acts by refusing to supply Macy's with Victor patented goods, except under an illegal contract which Macy's had declined to sign. This defense was sustained by the court, and Macy's then brought against Victor a treble damage suit under the antitrust laws. In this action, Macy's first contention was that the infringement suit had been a step in pursuance of an illegal combination, and that it was, therefore, within the meaning of the antitrust laws, an "injury" for which Macy's was entitled to recover three-fold its "damages"—these damages being, according to the contention of Macy's, its attorneys' fees in the patent infringement suit.

Macy's second contention was that Victor had incurred liability for treble damages under the antitrust laws by refusing to furnish its patented goods to Macy's for resale, except under an illegal contract.

While the Circuit Court of Appeals sustained an award of damages to Macy's on the second ground above stated, it reversed the award made on the first ground. On this point the court stated, at page 797:

> "What the court held, and what plaintiffs now contend, is, when simply stated, that resort to the courts, if unsuccessful, may be a step in violation of the statutes here concerned, and that a jury may so find, and award as part of the damage the fees of the attorneys of the successful party. If Victor Company had been successful, plaintiffs would not be here; for, in that event, the license agreements would have been held lawful. We think this mere statement displays the error in this regard.
>
> "The sections of the statutes (noted in the margin) speak of the 'damages by him sustained.' 'Damages' must be construed as that term was known to the law when these acts were passed. Kepner v. United States, 195 U. S. 100, 124, 24 Sup. Ct. 797, 49 L. Ed. 114, Ann. Cas. 655. As said by the Supreme Court in Pennsylvania Railroad Company v. International Coal Company, 230 U. S. 184, 33 Sup. Ct. 893, 57 L. Ed. 1446, Ann. Cas. 1915A, 315, when construing section 8 of the Interstate Commerce Act (Comp. St. Sec. 8572):
>
> " 'The statute gives a right of action for damages to the injured party, and by the use of these legal terms clearly indicated that the damages recoverable were those known to the law and intended as compensation for the injury sustained.' "

The court then went on to say that the case before it was not one in which a suit had been brought without "probable cause," and that therefore, it was not required to decide whether the filing of suit without probable cause would give rise to an action for damages. Rather, the court continued, the original patent suit had been one in which

all issues before the court, including the antitrust issues, had been debatable, and, in view of this, to hold Victor liable in damages for filing the suit would be to repudiate the doctrine of free access to the courts and to "announce that he who seeks the judgment of the courts does so at his peril." Accordingly, the court held that the filing of the suit, even if a step in the antitrust violation did not render Victor liable for damages under Section 4 of the Clayton Act.

The conflict between the decision in the instant case and the decision of the Second Circuit Court of Appeals in the *Straus* case was expressly recognized both by the District Court in its supplemental oral opinion (R. 881, 882) and by the Court of Appeals in its written opinion (R. 1332), in the instant case.

Thus, while the District Court refused to follow the decision in the *Straus* case, it expressly stated (R. 881):

> "Actually the case of Straus against Victor Talking Machine Company, I think is the only case that is strongly in point.
>
> "Defendants sought to distinguish that case from our situation here but do not think that it can successfully be done. *I think we have the identical question before the court in the Straus case that we have here* and the majority view expressed in that case was that no recovery could be had for the damages resulting from the situation of a patent infringement suit because of the so-called free access doctrine." *

In affirming the District Court decision on this point, the Court of Appeals similarly stated (R. 1332):

> "We are unable to agree with statements to the contrary in the Straus case."

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* Emphasis is ours throughout this petition.

While the rule of the *Straus* case was rejected by the District Court and the Court of Appeals in the instant case, the continued vitality of the rule is shown by its reiteration by the Second Circuit Court of Appeals in the case of *Kellogg Co. v. National Biscuit Co.*, 71 F. 2d 662 (1934). In that case Judge Augustus Hand stated at page 666:

> "While it doubtless would not be within the Anti-Trust Acts to bring a suit to assert a patent or trade-mark right whatever the motive, if the claim was valid, an attempt to assert an invalid claim would be a different matter."

4. We believe that the decision of the lower courts in this case on the liability for damages is erroneous, and that the conflicting decision of the Court of Appeals for the Second Circuit in the *Straus* case is correct.

We do not believe that a patentee, even if he has used his patents to monopolize, does an "injury" to an infringer, or becomes liable in "damages" to him, under Section 4 of the Clayton Act, merely by suing him for infringement, at least where the patents are actually infringed and the patentee believes that he is entitled to relief prayed for. A contrary holding would be particularly unjust in cases like the *Straus* case or the instant case, in which the fact of monopolization is highly debatable, and the adjudication of guilt is made for the first time in the patent suit in which the counter-claim for treble damages is filed. Our case on this point was well put by the Second Circuit Court in *Straus v. Victor* when it stated at page 77:

> "Never was it more necessary than now to preserve unimpaired this right so vital to the public welfare and so thoroughly a part of our theory of government. New economic problems increasingly arising in a constantly developing nation require solution, and hence lead to legislation. The statutes thus en-

acted to meet these problems can rarely, if ever, be so certain and detailed in expression that their meaning or extent can be ascertained without judicial determination. The difficulty which attends their construction is best shown by the wide variance in the opinions of the courts and the constant resort to the Supreme Court for authoritative decision. It is thus not strange that lawyers and laymen may differ as to the meaning of such statutes, and *it would be a negation of the principle and right of free access to the courts to hold that the submission of rights to judicial determination involved a dangerous gamble which might subject the loser to heavy damage.*"

We accordingly submit that even if the issue of liability for damages were the only one in the case, this Court should nevertheless take jurisdiction. By so doing, this Court will not only resolve a square conflict of decisions between the Courts of Appeals for the Second and Tenth Circuits. It will also settle an important point in the construction of Section 4 of the Clayton Act, which is likely to recur in many patent infringement cases.

In addition, it will settle the question, vital under our system of law, of whether a litigant who takes a case to court with probable cause, and believing he is entitled to relief, can under any circumstances become liable in damages for so doing.

CONCLUSION.

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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